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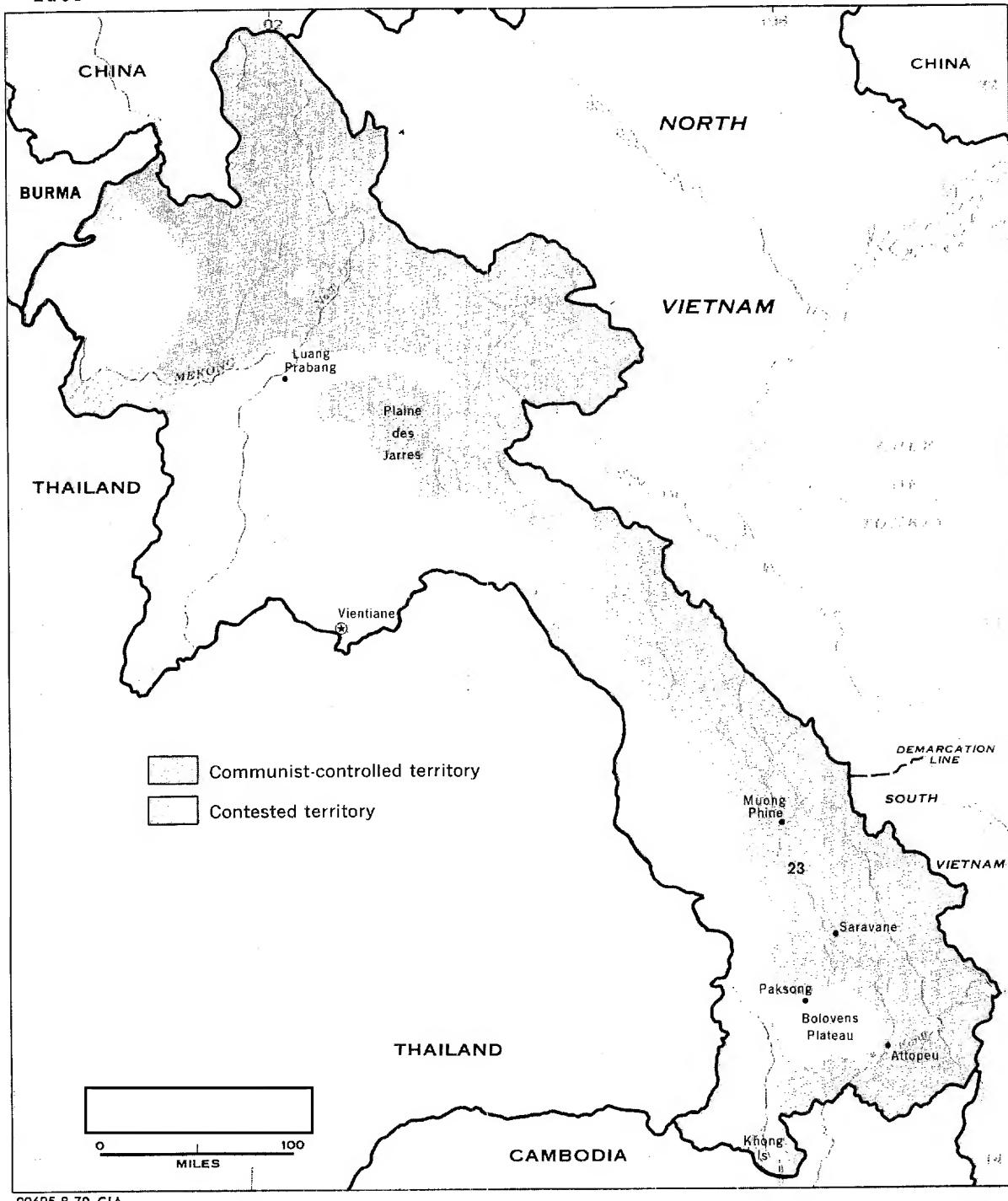
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Laos



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Laos: Fighting has dropped off considerably with the Communist forces adopting a defensive posture.

The relatively low level of North Vietnamese and Pathet Lao military activity may have been prompted in part by a desire to keep things quiet while the possibility of peace talks is explored. Difficulties in mounting attacks and moving supplies in extremely poor weather are undoubtedly contributing factors. Government forces, which usually take the offensive during the rainy season, have not been very active.

In the north, only occasional contacts with the enemy have been reported recently in the areas to the north and west of the royal capital of Luang Prabang. Southwest of the Plaine des Jarres, the Communists have staged several attacks on forward positions, but these apparently were intended to frustrate government efforts to retake territory south of the Plaine. The North Vietnamese forces inflicted heavy casualties, but did not seek to occupy these positions. Their units in this sector are believed to be considerably under strength as a result of the extended ground clashes and heavy bombing.

In the panhandle, last month's occasionally heavy fighting along Route 23 south of Muong Phine has been slowed by heavy rains. Farther south, Communist forces succeeded in eliminating the last government outpost near Saravane on 13 August, but otherwise this region has been relatively quiet for several weeks.

Along the eastern edge of the Bolovens Plateau, Communist units continue to launch mortar attacks and probe government positions. For the time being, however, the Communists appear satisfied to maintain

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their foothold on the Plateau. So far the Communists are not making extensive logistic use of the Se Kong River, strengthening earlier indications that the captures of Attopeu and Saravane were made primarily for their political impact.

In the far south, the Communists have yet to fulfill their propaganda threats against the towns along the road and river routes leading to Cambodia. Government patrols around Paksong have found no evidence of major enemy forces. In the Khong Island area, the Communists seem to have dispersed the forces they reportedly assembled late last month.

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[redacted] the Communists' chief activity in this region is to organize support bases in extreme southwestern Laos for Cambodian operations.

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Korea: President Pak Chong-hui has moved to take the propaganda initiative away from Pyongyang on the issue of Korean reunification.

Pak in his traditional 15 August Independence Day speech called on the North Koreans to renounce their policy of Communizing all of Korea by force in order that the barriers dividing the country can be gradually lifted. In a sharp departure from former South Korean policy, Pak said that his government would no longer oppose North Korean participation in the UN debate of the Korean question providing Pyongyang accepted the competence of that body to deal with the question.

Pak's strong condemnation of the North Korean leadership for the continued tension in Korea and his demand that it recognize the competency of the UN--something Pyongyang has never been willing to do--indicate that Pak's intention is to gain a propaganda advantage over Pyongyang rather than materially to advance the cause of unification. Pak has been aware for some time that Seoul's intransigent position on contact with the North has had less propaganda appeal than Pyongyang's ostensibly more flexible approach. Pyongyang's renewed emphasis this year on peaceful unification was undoubtedly a prime consideration in Pak's departure from past policy.

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Communist China: Chou En-lai has accepted an invitation to visit Southern Yemen, but he is unlikely to do so until this fall.

Chou will almost certainly take part in the coming National People's Congress, which appears to be scheduled for September, and Chinese National Day celebrations on 1 October. Yesterday's public announcement that the invitation had been accepted, nevertheless, underlines the movement of Chinese diplomacy into a more active phase and emphasizes Chinese interest in the Middle East. This area has received increasing attention in Peking in recent weeks, largely as an attempt to counter Soviet influence in the region.

When Chou does make the trip, he probably will fulfill a long-standing invitation to visit Pakistan on his way to Aden; a visit to Romania and Nepal is also possible. This would be the first time Chou has visited non-Communist countries since the Cultural Revolution began.

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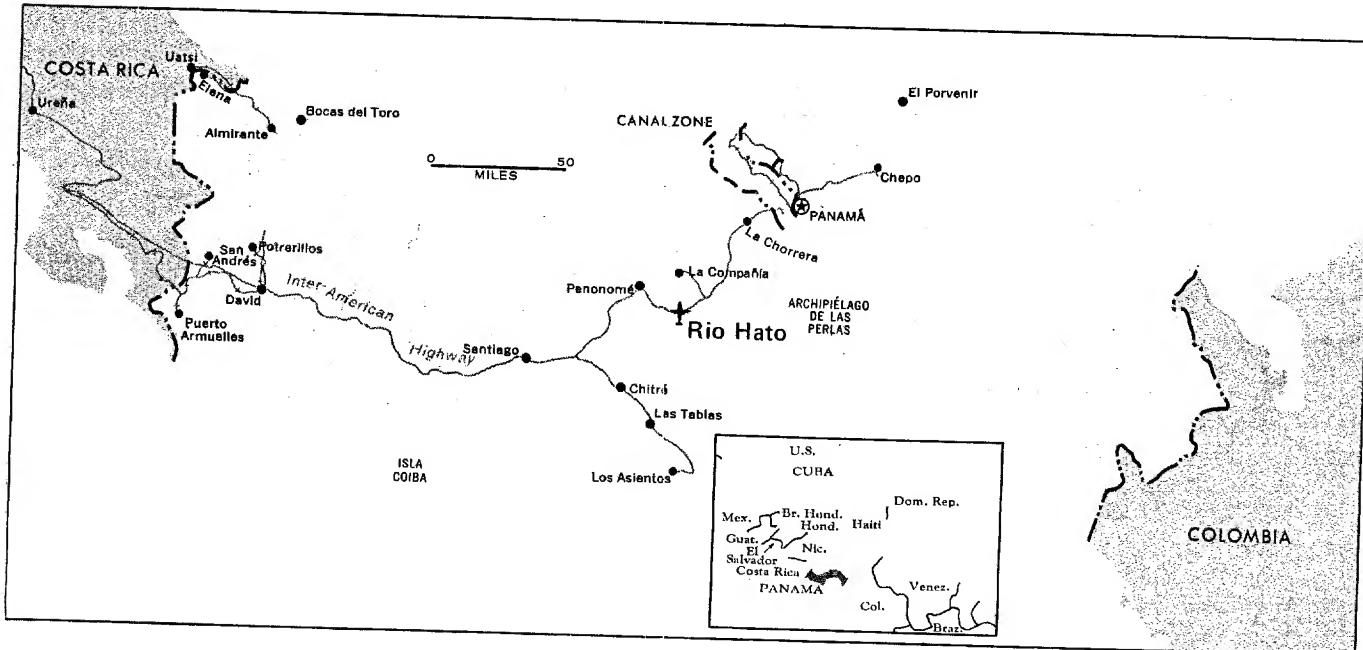
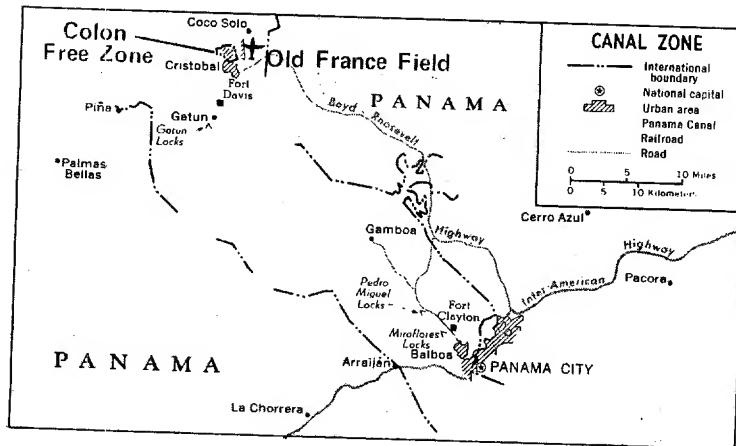
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US Asked to Leave Rio Hato

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Panama: The government has decided not to renew the Rio Hato agreement, which expires on 23 August.

The Panamanian ambassador to the US told Assistant Secretary of State Meyer yesterday that the US would have to vacate the 19,120-acre air-field and training area when the agreement expires. The ambassador indicated that a low-key announcement to this effect would be released shortly in Panama. He held out, however, the possibility of negotiating a new base agreement sometime in the future.

Last year Torrijos had promised General Westmoreland that the base agreement would be extended without conditions, but Torrijos recently has been asking for something in return. His most insistent demand has been for the return of Old France Field for the purpose of enlarging the Colon Free Zone, but he has also alluded to an increased sugar quota and construction of a highway.

Torrijos, convinced that he will not be able to obtain sufficient concessions from the US to protect his popular image, and looking ahead to possible canal treaty negotiations in the future, seems to be using the base issue to test the US resolve and at the same time demonstrate his toughness in dealing with the "gringos."

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Peru: The business sector appears united in its opposition to the recently promulgated industrial reform.

Most important Peruvian business organizations have gone on record as opposing the industrial reform through a strongly worded advertisement in Lima newspapers on 12 August. Business is principally opposed to the provision that establishes "industrial communities" as collective organizations of workers to receive shares of ownership in each industrial enterprise. The businessmen claim that this collective ownership "radically modifies the right of private property."

The Velasco government's reaction to this opposition so far has been to say that the businessmen do not understand the law. Criticism from the private sector has, however, prompted some clarifications from the minister of industry. He stated that the shares allotted to the "industrial community" would be distributed to individual workers when the goal of 50 percent ownership was achieved. Prior to that, workers who leave the company will be indemnified by the "industrial community," thus preserving the concept of private property.

The government has also announced that it will take criticisms of the reform into consideration when issuing the implementing regulations, but that there will be no major changes in the original reform. Officials have told the US Embassy that opposition only strengthens the government's resolve.

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USSR - North Korea: Soviet First Deputy Premier Mazurov is heading the joint party-government delegation that arrived in North Korea yesterday to mark the 25th anniversary of the defeat of Japan. Mazurov's visit--the first by a politburo member since May 1969--seems aimed at countering the recent improvement in Sino - North Korean relations. Mazurov will probably reiterate Soviet support for recent North Korean proposals for reunification and for Pyongyang's stand on the Korean issue at the coming session of the UN General Assembly. He may also discuss the Soviet military aid program, which has been virtually dormant since major deliveries ended in early 1969. [redacted]

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Dominican Republic: Joaquin Balaguer begins his second four-year term as Dominican President tomorrow, still working to form a government of national unity. [redacted]

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[redacted] All non-Communist parties except Juan Bosch's Dominican Revolutionary Party have expressed a limited willingness to cooperate, but the leadership of opposition groups appears divided on the issue of participation. There has been relatively little violence in the past month, but military and police forces are on alert to control any disorders that might occur. [redacted]

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